

MINUTES

**MONTANA SENATE
58th LEGISLATURE - REGULAR SESSION**

FREE CONFERENCE COMMITTEE ON SENATE BILL 461

Call to Order: By **CHAIRMAN BOB STORY JR.**, on April 23, 2003 at 11:00 A.M. and 5:20 P.M., in Room 350 Capitol; and April 24, 2003 at 2:00 P.M. in Room 335 Capitol.

ROLL CALL

Members Present:

Sen. Bob Story Jr., Chairman (R)
Rep. Ronald Devlin, Vice Chairman (R)
Sen. Bob DePratu (R)
Rep. Gary Forrester (D)
Sen. Emily Stonington (D)
Rep. Bob Lake (R)

Members Excused: None.

Members Absent: None.

Staff Present: Marian Collins, Secretary
Jeff Martin, Legislative Staff

Please Note. These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing & Date Posted: SB 461, 4/22/2003
Executive Action: AMEND FURTHER

{Tape: 1; Side: A; Approx. Time Counter: 0.3 - 30.6}

{Tape: 1; Side: B; Approx. Time Counter: 2.2 - 20}

CHAIRMAN STORY asked Jeff Martin of the Legislative Services Division to distribute proposed amendments. Included are technical amendments needing to be added to the bill in order to coordinate with SB 126 which deals with funding and the operation of the interim study committee that is included in SB 461.

EXHIBIT (frh86hb0461a01)

EXHIBIT (frh86hb0461a02)

EXHIBIT (frh86hb0461a03)

SEN. STONINGTON asked for clarification on how the amendments will work.

Brad Simshaw, Department of Revenue, Tax Policy Research, presented examples and explained how each amendment would work in different scenarios.

EXHIBIT (frh86hb0461a04)

Several clarification-related questions were asked by the Committee. **SEN. STONINGTON** asked for statistics pertaining to the number out-of-state property owners versus in-state owners. **Mr. Simshaw** handed out statistics reflecting these figures, and gave a brief overview of the data.

EXHIBIT (frh86hb0461a05)

SEN. DePRATU provided a handout containing questions and answers about SB 461 with an extended property tax assistance phase-in.

EXHIBIT (frh86hb0461a06)

Mr. Simshaw distributed handouts showing the impact in taxable value due to reappraisal. He explained each handout and answered questions from the Committee. Extensive discussion followed.

EXHIBIT (frh86hb0461a07)

EXHIBIT (frh86hb0461a08)

Mr. Martin explained the technical amendment marked as Exhibit 3.

The Free Conference Committee recessed at 11:45 a.m.

{Tape: 2; Side: A; Approx. Time Counter: 0.1 - 30.4}

The Committee was called back to order at 5:20 p.m., April 23, 2003.

Kurt Alme, Director, Department of Revenue, presented information specifically dealing with preventing individuals from creating a business entity or trust and then placing their property in its

non-income producing entity and therefore getting around the income test limitation on this amendment. He explained the Department's proposed approach to the issue and answered questions from the Committee. Exhibit 10 contains cost comparisons of adopting Amendment 18 versus Amendment 19.

EXHIBIT (frh86hb0461a09)

EXHIBIT (frh86hb0461a10)

Mr. Simshaw presented copies of graphs pertaining to reappraisal with amendments implemented. He explained each graph, and extensive discussion followed.

EXHIBIT (frh86hb0461a11)

{Tape: 2; Side: B; Approx. Time Counter: 2 - 12.4}

The Committee discussed the state and county costs involved, options for different amendments, and which citizens will be affected by the changes in reappraisal.

SEN. DePRATU submitted additional information for the Committee's consideration.

EXHIBIT (frh86hb0461a12)

SEN. STORY commented on the questions **SEN. DePRATU** posed in Exhibit 12. **SEN. STORY** said that they are all issues needing thorough consideration.

The Conference Committee adjourned at 6:00 p.m. and agreed to meet again the following day.

{Tape: 3; Side: A; Approx. Time Counter: 0.1 - 30.2}

The Free Conference Committee was again called to order at 2:10 p.m., April 24, 2003.

Mr. Martin distributed copies of amendments to Senate Bill 461 marked as Exhibit 13. **SEN. STORY** explained that the legislative staff was requested to draft an amendment dealing with the extended property tax assistance with an income test. He also attempted to clarify some of the language dealing with non-person entities, and added a section which will carry this into the next reappraisal cycle. **Mr. Martin** explained each section within the amendment.

EXHIBIT (frh86hb0461a13)

Discussion followed regarding reappraisal issues. **SEN. STONINGTON** expressed support for the proposed amendment.

Motion: REP. DEVLIN moved SENATE BILL 461 and ADOPTION OF AMENDMENT #SB046131.akj.

Discussion:

SEN. DePRATU asked for clarification on how the income test is applied when it's in a family trust or when property has been passed on to the children but the parents are still living there and are responsible for the taxes.

Mr. Alme explained how the income test is applied, answered questions from the Committee, and suggested revisiting this issue after the program has been operational for a year or a year and a half. He stated that if there are compliance issues during that time, the Department and legislature can address them at the next session.

Vote: Motion carried 5-1 with SEN. DePRATU voting no by voice vote.

Motion: REP. DEVLIN moved ACCEPTANCE OF TECHNICAL AMENDMENT SB046130.akj (Exhibit 3).

Mr. Martin explained each section within Exhibit 3.

REP. DEVLIN noted that the amendments in Exhibit 3 were drafted prior to the amendments in Exhibit 13, which this committee has adopted, therefore voting on this technical amendment will be with the intention that the internal references will be corrected with the various sections.

Vote: Motion carried 6-0 by voice vote.

SEN. DePRATU stated that he will be opposing this bill because he feels a substantial group of people are being left out.

{Tape: 3; Side: B; Approx. Time Counter: 2.4 - 5.6}

Motion/Vote: REP. FORRESTER moved to ADOPT THE FREE CONFERENCE COMMITTEE REPORT ON SB 461. Motion carried 5-1 with SEN. DePRATU voting no by voice vote.

ADJOURNMENT

Adjournment: 11:45 A.M. and 6:00 P.M. on April 23, 2003 and
2:45 P.M. on April 24, 2003

SEN. BOB STORY, JR., Chairman

MARIAN COLLINS, Secretary

BS/MC

EXHIBIT (frh86hb0461aad)